

Update on AB 32 Implementation: The Western Climate Initiative

July 24, 2008

California Air Resources Board

AB 32 Scoping Plan Status

- *Draft Scoping Plan* released June 26, 2008
- Soliciting stakeholder comments to help shape *Proposed Scoping Plan*
 - Request comments by August 1, 2008
- Supplemental evaluation to be released soon
- *Proposed Scoping Plan* expected release on October 3 for consideration at November 20, 2008 Board Meeting

Draft Scoping Plan Preliminary Recommendation

- Implement a broad-based cap-and-trade system
 - Meet AB 32 requirements for market-based mechanisms
- Link with partners in the Western Climate Initiative (WCI) to create a regional market

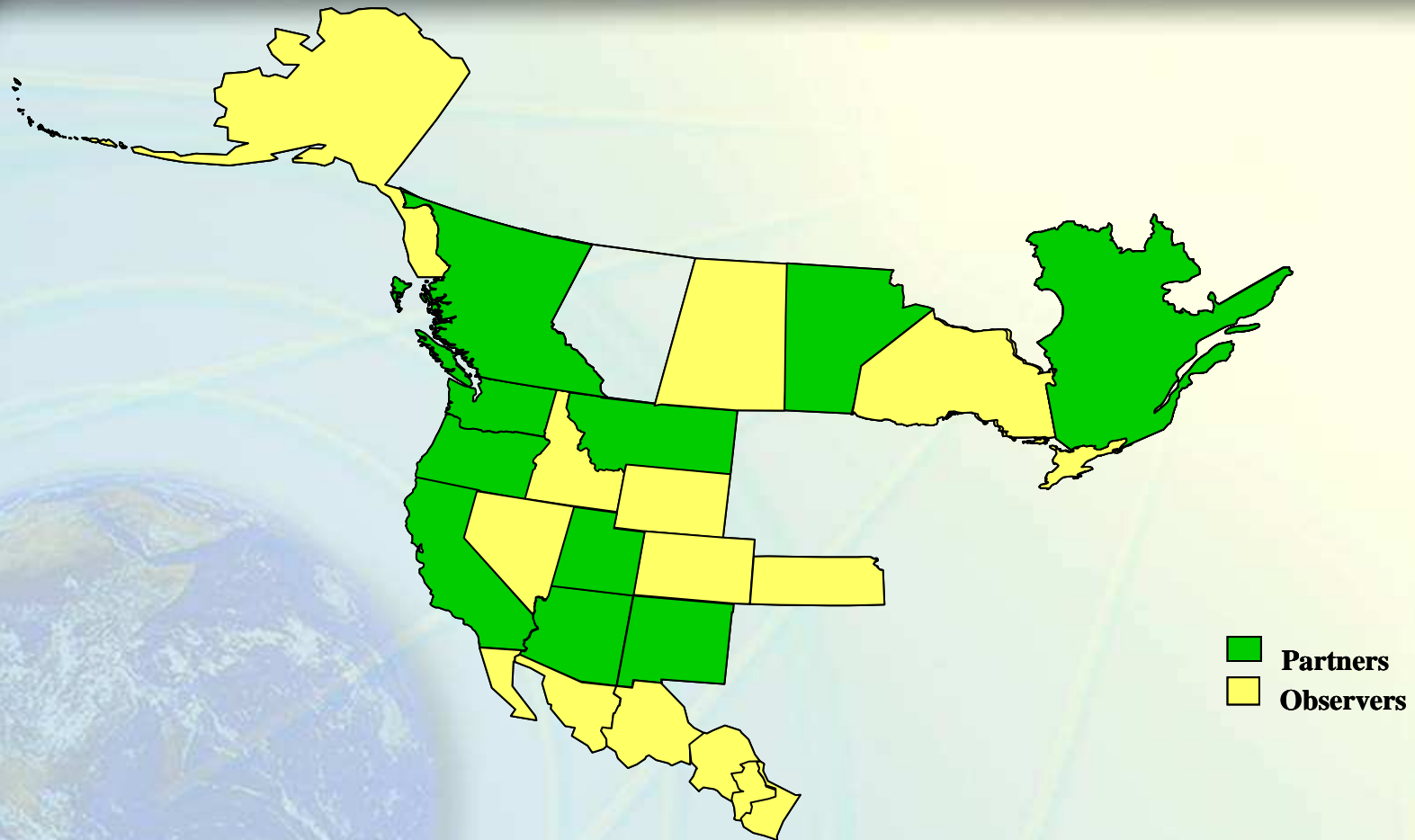
Western Climate Initiative

- Regional collaboration to reduce greenhouse gas emissions
- Work collectively to:
 - Promote clean and renewable energy in the region
 - Increase energy efficiency
 - Advocate for regional and national climate policies
 - Identify measures to adapt to climate change impact

Western Climate Initiative Deliverables

- Join The Climate Registry
- Set a regional emissions reduction goal
- Design a regional multi-sector mechanism to help achieve the emissions reduction goal

WCI Partners and Observers



WCI Partners and Observers

- Partners:

Arizona

Utah

British Columbia

New Mexico

Washington

Manitoba

Oregon

Montana

Quebec

Ontario

California

- Observers:

Alaska

Kansas

Idaho

Colorado

Nevada

Wyoming

Saskatchewan

Tamaulipas

Nuevo Leon

Baja California

Chihuahua

Coahuila

Sonora

WCI Benefits to California

- Potential to achieve at least double the emission reductions (compared to California alone)
- Regional harmonization reduces potential for emissions “leakage”
- For cap-and-trade, a broader carbon market brings more opportunities to find low-cost greenhouse gas reductions
- Increased leverage on Federal climate policy development

Emission Targets

- All Partners have committed to firm targets
 - Individual partner targets are of similar stringency
- Four Partners have targets in statute
 - California, Washington, Oregon, British Columbia
- Partners are using WCI recommendations as the basis for seeking legislative authority

Sources Covered

- Electricity
 - Including emissions from electricity imports into the WCI partner jurisdictions
- Industrial sources
 - Fuel combustion and process emissions
- Residential and commercial fuel combustion
 - Phase in coverage
- Transportation fuel
 - Phase in coverage

Setting the Cap

- Set the cap-and-trade program cap so that emissions from capped and uncapped sources achieve the 2020 regional emissions goal
- The cap-and-trade program cap is set prior to the start of program for all years (2012-2020)
 - Provides regulatory certainty to capped sources
- Individual partner share of regional cap distributed through an apportionment process

Allocation

- Partners distribute their “allowance budgets” through “allocation”
- Concept of “allowance value”
 - Whether auctioned or freely allocated an allowance has value
 - Partners will likely retain substantial flexibility in making allocation decisions

Potential Issues

- WCI/AB 32 rulemaking timelines must remain harmonized
- Update to CA reporting requirements
 - Addition of fuels sectors (commercial, residential, transportation)
- Offset program
 - Build consensus
 - Geographic, quantity, and type limits

Stakeholder Process

WCI

- Stakeholder workshops
 - Portland, Vancouver, Salt Lake City
 - **July 29, San Diego**
- Stakeholder conference calls
- Written Stakeholder Comments
 - Received from about 100 groups
 - CA stakeholders heavily involved

Stakeholder Process (continued)

AB 32

- Draft Scoping Plan Workshops
 - July 8, 14, 17
- Stakeholder Meetings
 - July-September
- Draft Plan Supplement Workshop
 - August
- Community Meetings
 - August

Potential Timeline

2008

- July 2008 – WCI Draft Program Design
- September 2008 – WCI Program Design
- November 2008 – Scoping Plan Adopted

2008-2010

- Continued work on WCI program design and implementation requirements
- AB 32 rules development
- Cap-and-trade rule adopted

2012

- Cap-and-trade market launch

Recap

- Draft Scoping Plan Recommendation
 - Create CA cap-and-trade program
- Link to other WCI Partners' systems
 - Linking provides a broad market to achieve lowest-cost reductions
- WCI program design on schedule
 - On-track with AB 32 timeline
 - CA staff members engaged in process